



**ORDER NUMBER
G-324-19**

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Pacific Northern Gas Ltd.
Fourth Quarter 2019 Gas Supply Costs
for PNG-West and Granisle Service Areas

BEFORE:

B. A. Magnan, Commissioner
R. D. Revel, Commissioner
T. A. Loski, Commissioner

on December 12, 2019

ORDER

WHEREAS:

- A. On December 4, 2019, Pacific Northern Gas Ltd. (PNG) filed with the British Columbia Utilities Commission (BCUC) its 2019 Fourth Quarter Gas Supply Costs and Gas Cost Variance Account (GCVA) balances for its PNG-West and Granisle service areas, based on the average of five consecutive days of forward natural gas price forecasts ended November 22, 2019 and propane price forecasts from the forward strip dated November 25, 2019 (the Gas Cost Report);
- B. The BCUC established guidelines for gas cost rate setting in Letter L-5-01 dated February 5, 2001, and further modified the guidelines in Letter L-40-11 dated May 19, 2011 (together the Guidelines). The Guidelines include two mechanisms that must be met in order to trigger a rate change:
 - i. The ratio of the 12-month gas cost recovery revenues using current rates against the sum of the 12-month forecast gas supply costs and the GCVA balance at the end of the current quarter (R/C Ratio) must fall outside a dead band range of 0.95 to 1.05; and
 - ii. Indicative changes to gas cost commodity rates and GCVA rate riders required to reset the R/C Ratio to 1.00 over a 12-month period must exceed a \$0.50/GJ absolute change threshold;
- C. By Order G-58-19, the BCUC approved the current gas commodity rates, GCVA commodity rate rider and Company Use GCVA rate rider for PNG-West effective April 1, 2019;
- D. By Order G-130-19A, the BCUC approved the current propane commodity rate and associated GCVA commodity rate rider for Granisle, effective July 1, 2019;
- E. For PNG-West, PNG forecasts the R/C Ratio to be 0.912 which is outside the established 0.95 to 1.05 dead band range. However, changes to indicative gas cost commodity rate and GCVA rate riders required to reset

the R/C Ratio to 1.00 by December 31, 2020 for all customer classes are less than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG requests no changes to the gas commodity rates for the PNG-West service area;

- F. For PNG-West, PNG recommends retaining the GCVA commodity debit rate rider of \$0.098/GJ and the Company use GCVA gas cost credit rate rider of \$0.013/GJ;
- G. For PNG-West, PNG requests approval to increase the current Company use gas cost delivery rate of \$0.061/GJ to \$0.093/GJ, and increase the Company use gas commodity price used for price deferral accounting purposes from \$1.377/GJ to \$1.823/GJ, effective January 1, 2020;
- H. For Granisle, PNG forecasts the R/C Ratio to be 0.833, which is outside the established 0.95 to 1.05 dead band range. Changes to indicative gas cost commodity rate and GCVA rate rider required to reset the R/C Ratio to 1.00 by December 31, 2020 is greater than the \$0.50/GJ threshold set out in the Guidelines. Based on the foregoing, PNG requests a change to the current propane commodity rates for the Granisle service area;
- I. For Granisle, PNG recommends increasing the current GCVA commodity rate rider from \$1.609/GJ to \$1.781/GJ; and
- J. The BCUC has reviewed PNG's Gas Cost Report and views that the changes to rates as requested by PNG in the Gas Cost Report, effective January 1, 2020, are warranted.

NOW THEREFORE pursuant to section 61(4) of the UCA, the BCUC orders the following, effective January 1, 2020:

1. In the PNG-West service area, no changes are required to gas commodity rates and gas cost rate riders. The Company Use gas cost delivery rate is changed to \$0.093/GJ and the Company Use gas commodity price is changed to \$1.823/GJ.
2. In the Granisle service area, the propane commodity rate is changed to \$17.077/GJ and GCVA commodity debit rate rider is changed to \$1.781/GJ.
3. PNG must notify all customers that are affected by the rate change by way of a bill insert or bill message included with the next monthly billing.
4. PNG is directed to file revised tariff pages with the BCUC within 15 days of the date of this order.

DATED at the City of Vancouver, in the Province of British Columbia, this 12th day of December 2019.

BY ORDER

Original signed by:

B. A. Magnan
Commissioner